

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 SHUZHONG BAO, et al.,

4 Plaintiffs,

5 19 cv 08062 (AEK)

6 -vs-

7 XUGUANG WANG, also known as JASON WANG,
8 et al.,

9 Defendants.

10 -----x
11 United States Courthouse
12 White Plains, New York
13 March 16, 2022
14 VOLUME I

15 Before: THE HONORABLE ANDREW E. KRAUSE, Magistrate Judge

16 APPEARANCES

17 LI HAN
18 Attorney for Plaintiffs

19 CURT DONALD SCHMIDT
20 Attorney for Plaintiffs

21 STONE MANDIA, LLC
22 Attorneys for Defendants

23 RICHARD B. STONE

24 Also present: LIANQUN WANG, Chinese Interpreter

25

1 (Trial resumed)

2 THE DEPUTY CLERK: All rise.

3 THE COURT: Good morning, everybody. Please be
4 seated.

5 MR. STONE: Your Honor, may I get a chair for the
6 interpreter?

7 THE COURT: Yes, absolutely.

8 Okay. I hope everybody had a good evening.

9 Mr. Stone, I did see your letter or memo this morning.
10 Thank you for that. You could have done that in less space, but
11 I appreciate -- I appreciate the thorough treatment of the
12 issue.

13 MR. STONE: You don't think I did that, do you?

14 THE COURT: No. But I appreciate your office's
15 thorough treatment of the issue, put it that way.

16 MR. STONE: And you can tell from the last paragraph
17 that the scrivener was not very happy with the conclusion of the
18 Court. She thought that the conclusion was -- she told me it
19 was reprehensible. I said, you know I have to answer for that.

20 THE COURT: Well, we all have to make do sometimes.

21 MR. STONE: It was an interesting issue as it
22 developed.

23 THE COURT: Absolutely. Okay. Mr. Schmidt?

24 MR. SCHMIDT: Your Honor, if I may?

25 THE COURT: Yes.

1 MR. SCHMIDT: Good morning. So I just wanted to
2 confirm, I did speak on the telephone last night with Mr. Stone.
3 He conceded to me that what I said in the court yesterday and
4 what he suggested to the Court yesterday was accurate; that both
5 New York and New Jersey are states where only one party needs to
6 be aware of a telephone being recorded in order to make that
7 activity legal; and therefore, there is no issue regarding the
8 legality of that particular exhibit.

9 THE COURT: Correct.

10 MR. SCHMIDT: I was prepared -- I did not write a
11 letter. I was not aware that Mr. Stone was planning to write a
12 letter, to be honest.

13 THE COURT: I just received it this morning.

14 Mr. Stone, you will provide a copy of it to Mr.
15 Schmidt.

16 MR. SCHMIDT: And the one other thing I would say, I
17 think it's unfortunate that there were gratuitous insults in the
18 letter, and I object to that.

19 THE COURT: Okay. Noted. I mean, at the end of the
20 day, the evidence is in, and the law is clear as to the legality
21 of the recording. So to the extent there was any question on
22 the record about that yesterday, as we were all sort of working
23 through it in real time together, there is no longer any
24 question about that. And as far as characterizations in the
25 letter, I wouldn't give that too much additional thought,

1 Mr. Schmidt.

2 MR. SCHMIDT: Yes. Thank you, Judge.

3 THE COURT: Okay. With all that said, Mr. Stone,
4 please call your witness.

5 Mr. Wang, I am going to ask you to stand up so you can
6 be sworn in.

7 But just as a formality, Mr. Stone, please call your
8 witness.

9 MR. STONE: Okay. I will call my first witness in the
10 defense case, Mr. Jason Wang, one of the defendants, Your Honor.

11 THE COURT: Thank you, Mr. Stone.

12 And, Mr. Wang, please raise your right hand so that
13 Ms. Brown can administer the oath.

14 XUGUANG WANG, having been duly sworn, testified as follows:

15 THE DEPUTY CLERK: Please spell your first and last
16 name slowly and clearly for the record.

17 THE WITNESS: First name, Xuguang, X-U-G-U-A-N-G.
18 Last name, W-A-N-G, Jason Xuguang Wang.

19 THE COURT: Thank you, Mr. Wang. You can sit down,
20 and will you please remove your mask if you're comfortable doing
21 that? And just pull the microphone down towards you a little
22 bit. Perfect.

23 All right. Mr. Stone, when you're ready.

24 MR. STONE: Judge, just to reiterate, I am going to
25 start in English, see how it goes. If anybody finds it

1 difficult, including Mr. Wang, then of course the interpreter is
2 here.

3 THE COURT: Understood.

4 MR. STONE: Okay.

5 THE COURT: Yes.

6 DIRECT EXAMINATION

7 BY MR. STONE:

8 Q. Good morning, Mr. Wang.

9 A. Thank you.

10 Q. Is your microphone on?

11 A. Yes.

12 MR. STONE: All right. Is it on, Judge?

13 THE COURT: Yes.

14 Q. Could you tell us where you live?

15 A. I live in New Jersey. City name called Upper Saddle River,
16 address 11 Iron Latch Court, spelled I-R-O-N-L-A-T-C-H Court,
17 C-T.

18 Q. And I take it you are married; is that correct?

19 A. Yes.

20 Q. And your wife's name?

21 A. Yifen Bao. She is there.

22 Q. Do you have children?

23 A. Yeah. I have three girls.

24 Q. And their names and ages?

25 A. Oldest one was called Juihei, J-U-I-H-E-I, last name Wang.

1 They live in Seattle.

2 Q. And the next one?

3 A. Next one is Zoe Wang. Yeah, on the --

4 Q. She is a defendant in the case?

5 A. Zoe Wang, who was here yesterday.

6 THE COURT: One second, Mr. Stone, you just have to
7 let him speak so we are not having two people speaking at once.

8 THE WITNESS: And the little one called Jolie,

9 J-O-L-I-E, last name Wang is in the school.

10 Q. Okay. What is your relationship to the plaintiffs in this
11 case?

12 A. Shuzhong Bao is my brother-in-law. That means he is my
13 wife's younger brother.

14 Q. And his wife?

15 A. The wife called Zeng Bibo.

16 Q. And their children are your nieces?

17 A. Yes.

18 Q. Now, how long have you known Mr. Bao and your
19 sister-in-law?

20 A. Since I married with my wife. I was my wife -- she is only
21 17 so -- hold on -- for 30, 35 years. Then I know the little
22 brother.

23 Q. Are you a citizen of the United States?

24 A. Yes, sir. Yes, I am.

25 Q. And how long have you been living in the United States?

1 A. '92, I want to -- about 30, 30, 29, 30.

2 Q. And can you tell the Court what your business or occupation
3 is?

4 A. Yes. I am a -- what I can say -- is the restaurant
5 operator. If I want to start again, I wouldn't do that.

6 Q. Over the course of decades, how many restaurants have you
7 been involved with?

8 A. A lot. One, two -- one, two, three, four, I think around
9 like ten.

10 Q. Okay. Are you operating a restaurant now?

11 A. Yes. I still got three restaurants.

12 Q. And can you tell us their locations?

13 A. First one is on the New Jersey, Randolph, Randolph, New
14 Jersey. That's Italian restaurant, a famous Italian restaurant.
15 Another one is in West Milford, New Jersey. It was the Italian
16 restaurant. After Covid, I have to change to a Japanese
17 restaurant. Doing pretty good. Another one is -- another two,
18 actually, was called Freelance Cafe, and another one was called
19 Xaviars. Actually, I bought this restaurant is really famous.
20 Peter Kelly -- I think a lot of people know Peter Kelly -- Peter
21 Kelly had two famous restaurant, best restaurants in Hudson
22 Valley.

23 Q. And you bought them as well?

24 A. Yeah, I bought that. Then during the operating didn't go
25 successful. I closed one. Then I -- right now I am good. I am

1 leasing to some men that people going to open a Japanese
2 restaurant, yeah. We do well.

3 Q. What about Piermont?

4 A. Yeah. Piermont just has two restaurants. One -- Piermont
5 one cafe is Piermont Cafe. One called Xaviars, both owned by
6 Kelly, Peter Kelly. Then it was during --

7 THE COURT: Just to be clear. That's Peter Kelly,
8 K-E-L-L-Y?

9 THE WITNESS: Yes.

10 THE COURT: Okay.

11 THE WITNESS: I think it's famous chef in the state of
12 the country. Then because I am not -- how I say operating just
13 now, right, the restaurant didn't go well. We start from \$3
14 million sales all the way down to \$400. Then plus, then I go to
15 the Covid, I re-management, we are doing a lot better.

16 THE COURT: So in Piermont you have still Freelance
17 Cafe?

18 THE WITNESS: Yeah, I still have.

19 THE COURT: And then Xaviars is closed, and you are
20 going to lease it to somebody else, and they are going to run a
21 Japanese restaurant?

22 THE WITNESS: Yes. We did a background check. They
23 were very successful, the people. The name is called Wasabi.
24 In this area a lot of people know the Wasabi. He is going to
25 coming in. Actually, looked the books. So far, we are pretty

1 good.

2 THE COURT: The Wasabi, has it opened yet or not?

3 THE WITNESS: Just pre-Covid did the owner background
4 check. Yeah, he is still waiting to join his career. It's a
5 very nice restaurant.

6 THE COURT: You said he's waiting to join what?

7 THE WITNESS: To join inside the lease.

8 THE COURT: Okay.

9 THE WITNESS: Yes. And very, very nice decor.
10 Everybody new, and Piermont is a very nice area. Restaurant we
11 looking for high income, good people, right? That's the all we
12 have. So yes, I think due to the Covid, difficult time we do --
13 I'm going to say very well. Is good.

14 THE COURT: Okay.

15 THE WITNESS: I keep all the employees. The employees
16 working there for 30 years. Some people coming for 16. Right
17 now 46. They are still there. We are a family. We don't have
18 fight with anybody.

19 THE COURT: Okay. Mr. Wang, here is what I am just
20 going to ask you to do. I appreciate all of what you just said,
21 and that's helpful background. Mr. Stone is going to ask you
22 questions, and I will just ask you to keep your answers nice and
23 short, and if he wants to ask you to elaborate, he will ask you
24 more questions.

25 THE WITNESS: Okay.

1 THE COURT: Mr. Stone?

2 Q. Now, your relationship with your brother-in-law and
3 sister-in-law, prior to this dispute, how did you get along with
4 the two of them?

5 A. I was -- there is two things: One is the management,
6 management issues, but down to the core, then we put it on the
7 side working to -- everything is evidenced by the paperwork.
8 Everything is by the -- not I am say, not another party say. We
9 have to see others choose, where to choose.

10 THE COURT: Okay. Hold on. Mr. Wang, the question
11 was: Before any of this started with the investments and the
12 restaurants, before 2006, how was your relationship with Mr. Bao
13 and Ms. Zeng?

14 THE WITNESS: Actually, very good.

15 THE COURT: Okay. Next question.

16 Q. Over the course of the decades before, did you not only get
17 along with them, but did you participate in family events and
18 all of those things?

19 A. Yeah. I am honestly all the time, yes, we have because I
20 am in U.S. They are in China. We do have some holidays, but I
21 want to say is very time managing.

22 Q. Were there times when your children went to China either to
23 study or to visit where they stayed with the Baos?

24 A. No. Stay with -- my daughter is NYU. She could do study
25 in China. Still in school now. Maybe Sunday we can go to

1 grandmom's house, like my wife's mom, father's house. They
2 never stay with his brother and the uncle and aunt.

3 Q. Early on, there was some discussion about this, did you
4 participate in some investment together with Mr. Bao in the
5 state of Washington?

6 A. Yes. That's -- yes, we talk about. I want to tell the --
7 I want to tell three things: I was bought the bank house in
8 Seattle, Washington becoming reception. I bought a house. Then
9 I buy another house on the deal. I don't know what reason,
10 maybe I say, maybe his sister say, but I don't know exactly, but
11 he interested in house. I already had a contract. He said he
12 wanted to buy it, but he told his sister he doesn't have money.

13 Then by the time my daughter leaves Shanghai, is studying,
14 then I thought maybe I needed some help from uncle, you know,
15 his mom is a grandma. His dad sometimes need the
16 transportation. I said okay, just to get the deal. Let him do
17 it. He doesn't have money. I loan him money to him; let him
18 buy. He bought the house because the house is bank-owned.
19 After I bought the house, I clean it out, manage it for three
20 years. Successful sold out. He make a \$200,000. I'm not going
21 to say, I am not a money, greedy people. \$200,000 to him, but I
22 want everybody to understand that investments sometimes can make
23 money; some can be losing money. Making money the key. You
24 bought the place. You have care, managing, organize all things.
25 They can make money.

1 For the three years, I think, I bought the house for
2 bank-owned to the three years sold. If I just live there, the
3 house it can be increased 200,000. Three years I did a lot of
4 work: Repair, cleaning, find a tenant, pay the electric bill,
5 gas bill, everything I do. I didn't ask any payment because
6 it's the family. I wonder maybe he had -- my daughter can get
7 some help from brother. I bring her here. Now I say, I don't
8 agree. I want to know business can be making money. Can be
9 losing money. That's called investor. He have to understand.
10 You want to make money, you are working hard.

11 Q. What did you do with the profit from that first house --

12 A. Uh-huh.

13 Q. -- that you purchased in 2013?

14 A. Yeah, the house purchase. I clean it, I would say, out of
15 everything, lease the house for three years; collect the rent,
16 everything issues or not issues, brand new house, and then I put
17 the house on the market. I finished over 20 pages
18 questionnaire. He didn't agree. She don't know how to do it.
19 I do the whole thing. House successful sold, and money directed
20 go to his account.

21 THE COURT: Okay. Okay. That's fine. That's the
22 answer to the question. Just off the record for a second.

23 (Discussion off the record)

24 THE COURT: Mr. Stone, next question.

25 MR. STONE: Can I ask the same question of you, Judge?

1 THE COURT: I am fine.

2 Q. All right. So moving on, were there other properties in
3 Seattle that you owned and purchased?

4 A. Yes. That's back to yesterday's testimony. He say I used
5 the plaintiffs' \$600,000 to buy my own house.

6 THE COURT: Mr. Wang, let's just focus on one question
7 at a time. I know there is a lot that you heard yesterday, and
8 there is a lot that you want to try to say in response; but
9 Mr. Stone's job is to ask you a series of questions to elicit
10 the information that is important for your case.

11 THE WITNESS: Okay.

12 THE COURT: I am quite sure that Mr. Stone will get to
13 all of the points.

14 THE WITNESS: Okay.

15 THE COURT: But to make it go a little bit more
16 smoothly, it will help if you just listen to his question,
17 answer his question, and then he will get to all of these things
18 in the order that he is planning to get to them.

19 THE WITNESS: Okay.

20 THE COURT: Also, at some point later, as you have
21 seen, we will take a break. You will have a chance to talk to
22 Mr. Stone a little bit more. If there are some things that you
23 feel like you haven't been able to say that you want to make
24 sure he asks you about, you can talk to him about it then; but
25 for now, just try to focus on his question and answer.

1 So his question was, I believe: You owned other
2 properties in Washington.

3 THE WITNESS: Yes.

4 THE COURT: Let's just focus on that, and we will talk
5 about the \$600,000 and how it was -- we will talk about that
6 when we get to it. All right?

7 Go ahead, Mr. Stone. Let's ask that question again.

8 MR. STONE: You understand that instruction?

9 THE WITNESS: Yes.

10 Q. Okay. So were there other properties that you purchased in
11 Seattle?

12 A. Yes.

13 Q. And did those properties have anything to do with your
14 earlier relationship with Mr. Bao?

15 A. No.

16 Q. And what were the -- what was the purpose of purchasing
17 those properties? Were they also investment properties?

18 A. Some is permanent house. Some is vacation house. Some is
19 investment house.

20 Q. Okay. Now, did there come a time when you sold that house?

21 A. Uh-huh.

22 Q. And can you give us an approximate date as to when those
23 properties were sold?

24 A. I moved here 2016. I sold the two house in Washington
25 state is under 2000 -- I believe around like either '16 or early

1 '17. Two house sold it.

2 Q. Had you yet purchased any property in New Jersey?

3 A. Yes.

4 Q. So can you explain to the judge what you purchased and when
5 the purchase took place?

6 A. Yes. That's the house I was just earlier on the record. I
7 live there, Iron Latch Court on Upper Saddle River, Jersey, zip
8 code 07458.

9 Q. Do you have an accountant?

10 A. I do.

11 Q. Did you have a lawyer that discussed with you any method of
12 deferring any tax liability on the profits?

13 A. Yes.

14 Q. And when they did that, did they discuss with you what is
15 called a 1031 exchange?

16 A. Yeah. Actually, 1031 -- I do 1031, but the 1031 is for the
17 owner provider. I wanted this house for tenants continue with
18 the lease. I want to sold this house, purchase another house.
19 I was provided a realtor. The realtor sent it to the -- only
20 the couple -- couple lawyer office can do 1031 exchange.

21 Q. Okay.

22 A. Yeah.

23 Q. And can you just share with the record so the judge
24 understands, but what is the purpose of a 1031?

25 A. 1031 is just like, you know, I bought a house. He had a

1 money, certain amount of money I make. I want to waive the tax.
2 Because I am a tenant, I cannot buy the house. I live on it. I
3 make about -- I wanted a half million dollars.

4 THE COURT: You made a half million dollars when you
5 sold the Washington house?

6 THE WITNESS: Yes, the Washington house. I bought it
7 for 480-some thousand. Then I purchased the Upper Saddle River
8 house from the bank-owned. I used that money, paid a part of
9 it, and I have -- I have the mortgage on it.

10 THE COURT: Okay.

11 Q. Okay. Now, you did hear Mr. Bao suggest to the Court that
12 you used his money to purchase your present house; is that
13 correct?

14 A. He will say that, but that's not true.

15 Q. Okay. So I want you to clearly explain to the judge what
16 proceeds you used to purchase the New Jersey home.

17 A. I used the 400-some -- 480 -- let's say half million
18 dollars. I paid maybe 300-some thousand for the mortgage loan.
19 Mortgage bank name called Emerald Bank. That's all the county
20 records, on the Union County records. I can't make it up. So
21 that's -- I tell plaintiff, he say I made a document in Seattle
22 is fake. How I going to say?

23 THE COURT: Just so I understand, to purchase your
24 house in New Jersey, you used approximately \$480,000 in profits
25 from the sale of the house or houses in Washington, correct?

1 THE WITNESS: Correct.

2 THE COURT: And then you took a mortgage for the rest?

3 THE WITNESS: Correct.

4 THE COURT: Okay. And just so I understand, were
5 there other houses in Washington that you sold later like in
6 2018 or '19?

7 THE WITNESS: Yes.

8 THE COURT: Okay. All right. So maybe we will get to
9 that later.

10 THE WITNESS: Okay.

11 Q. Let's do it now. Were there other homes that you had
12 invested in in Seattle that you later sold?

13 A. Yeah. The two houses I was sold the 1031, that's my
14 investment house. That's, I sold it. I have the profit. I use
15 1031 exchange to buy the New Jersey house.

16 Then another two house, a pretty big house, actually, that
17 house, one is my permanent resident house. One is my second
18 house was called vacation house. I sold it around like 2000 --
19 I think '19, '19. Another one was sold about 2020. Yeah.

20 Q. And the proceeds from those houses had nothing to do with
21 your financial arrangement with Mr. Bao?

22 A. No. No.

23 Q. Okay. Now, let's talk about what led up to the investment
24 in Piermont.

25 A. Uh-huh.

1 Q. So prior to 2016, did there come a time when there were
2 communications between you and Mr. Bao in regard to his desire
3 to move to the United States?

4 A. Yes.

5 Q. And could you explain to the judge the essence of those
6 communications before there was even a Piermont project?

7 A. Okay. Yeah. This be maybe a little bit long if the judge
8 say it's --

9 THE COURT: That's okay. Go ahead.

10 THE WITNESS: Like around 2000 -- 2000 -- I can't
11 exactly, maybe '12, 2013, my wife get her citizenship the week
12 before. Invite sister and brother to come to U.S.

13 In 2012, maybe '10, I went through all the job. I
14 apply my brother-in-law's family and my sister-in-law's family
15 come to U.S., the paperwork to process immigration in the United
16 States. Then on the 2015, in China -- I think a lot of people
17 know -- at that time, they send a lot of smart students to come
18 to the U.S. to study from high school, middle school, elementary
19 school. At that time they wanted -- they followed just like a
20 popular -- you know, they wanted to do that. They send father-
21 in-law, mother-in-law. Just my -- my brother's father-in-law
22 and mother-in-law coming to Seattle to check my Tuscany
23 restaurant, talk about me, then asking me if they want to
24 coming, how we going to do it.

25 Then I said, let me think about it. And then we have

1 the Shanghai Speed there. That's the only way they can apply
2 them to come here with the kids, work in the U.S.

3 THE COURT: Why don't you stop there for one second,
4 and then let me just ask you: You said your father-in-law and
5 mother-in-law, that would be Ms. Zeng's parents?

6 THE WITNESS: Yes.

7 THE COURT: They came to see you when you were living
8 in Seattle?

9 THE WITNESS: Yes. We call that investigation.

10 THE COURT: Ah.

11 THE WITNESS: Just look like how was I doing. They
12 wanted to do how I am doing, they look around. That's how it
13 just started. Now I say, that's when the truth started.

14 THE COURT: Okay. And that was in approximately 2015?

15 THE WITNESS: '15.

16 THE COURT: And prior to that, did you have any
17 relationship with Ms. Zeng's parents?

18 THE WITNESS: No.

19 THE COURT: Okay. Mr. Stone?

20 Q. All right. So were there discussions between you and
21 Mr. Bao about somehow participating in some investment?

22 A. Yes.

23 Q. Tell the judge about that.

24 A. Then we have the Piermont -- we have the Piermont project
25 that come out of, let's say, it's because the family restaurant

1 had a nice -- very nice area. I discuss with him, send all the
2 paperwork. Very interesting. Then we started.

3 THE COURT: Can I ask you actually one second about
4 that? At the time you had this idea to do the Piermont
5 investment, you were living in Seattle?

6 THE WITNESS: In Washington -- in New Jersey.

7 THE COURT: Okay. So you had already moved to New
8 Jersey?

9 THE WITNESS: I moved to New Jersey 2015. I discuss
10 it with -- they come here and visit New Jersey, not Seattle,
11 visit New Jersey, his parents.

12 THE COURT: Mr. and -- I am sorry -- Ms. Zeng's
13 parents, when they came to do the investigation that you said --

14 THE WITNESS: Yes.

15 THE COURT: -- that was the Tuscany restaurant, which
16 was in New Jersey?

17 THE WITNESS: Yes.

18 THE COURT: Okay. So you had already moved to New
19 Jersey, and you had already been operating at least one
20 restaurant in New Jersey?

21 THE WITNESS: Yes.

22 THE COURT: Got it. Okay. Go ahead.

23 MR. STONE: Just to clarify a little bit, Judge.
24 There is a town of Washington --

25 THE COURT: That's okay. If you need to, you have to

1 bring it in through the witness. I understand it now, I think.

2 Q. So when that discussion started, did you obtain the
3 financial records of the businesses that were located in
4 Piermont?

5 A. Of course.

6 Q. Right. Did you review the profit and loss, the receipts,
7 the books and records, was that part of the acquisition?

8 A. Yes. That's the two things can support it. One thing is I
9 had SBA loan; you must be have the paperwork to support this
10 loan.

11 Q. Okay. But before you get to that, before you began the
12 financing --

13 A. Uh-huh.

14 Q. -- did you study the financial background of the property,
15 the rentals, and the businesses that were operating in Piermont?

16 A. Yes. Yes, I did.

17 Q. Now, did you know Mr. Bao's financial education and
18 background? Were you aware that he had a background?

19 A. Oh, yeah.

20 Q. Did you share with him that financial information?

21 A. Yes, of course. Later somebody put their money into, got
22 to bring some -- I am going to say the picture, was nothing
23 there, okay, bring the money. If knowledge of people will know,
24 I give them all the things, but my email is linked to the maybe
25 six, seven companies. The time email too much. Delete, you

1 know, I just can't find the records.

2 Q. But did you send to him --

3 A. Yes.

4 Q. -- for his review the records that you studied?

5 A. Yeah. Positive. Yes.

6 Q. Did the two of you discuss the purchase of the property and
7 the businesses?

8 A. Yes.

9 Q. Okay. Now, I am going to leave that for a moment.

10 A. Okay.

11 Q. I am going to move to a different area.

12 A. Okay.

13 THE COURT: Let me just -- I am sorry to interrupt
14 you, Mr. Stone. Two more things. Everything is going -- I can
15 understand everything fine so far, but two things: One, Darby,
16 the court reporter, she is trying to type down everything
17 everyone is saying. It's very hard for her, as talented as she
18 is --

19 THE WITNESS: Too fast.

20 THE COURT: It's very hard for her to type two people
21 talking at the same time.

22 THE WITNESS: All right. Got it.

23 THE COURT: So let Mr. Stone finish, and then you
24 answer, and then Mr. Stone will let you finish before his next
25 question, and then maybe a little bit slower. That might be for

1 me, not for Darby. Go ahead.

2 THE WITNESS: Thank you. Sorry.

3 Q. All right. Let's talk about the corporations that were
4 involved in this big picture. I want to first talk about
5 Shanghai Speed.

6 A. Okay.

7 Q. Are you familiar with that corporation?

8 A. Oh, yeah.

9 Q. All right. And how long have you been familiar with the
10 corporation that we will refer to as "Speed"?

11 A. A long time.

12 Q. So you've got to give us a framework. About how long?

13 A. That one like maybe ten years.

14 Q. And in the early years, did you know who owned or were the
15 principals of Shanghai Speed?

16 A. Yes. Is my mother-in-law, the mother-in-law's my wife's
17 mom.

18 Q. Okay. And just share with Judge Krause, what does Shanghai
19 Speed do?

20 A. Shanghai Speed is a management company. Management just a
21 consulting -- a consulting here even better. Consulting in the
22 restaurant, hospitality, and that connect -- just like the
23 connect was called -- we called it third service of the company
24 with hotel, restaurants, consulting, sale out, managing. They
25 can make a management fee on it.

1 THE COURT: Can we just go back one second? You said
2 the owner ten years ago or so, when you first learned about
3 Shanghai Speed, was your wife's mother?

4 THE WITNESS: Yes.

5 THE COURT: Was anybody else the owner at that time?

6 THE WITNESS: Yeah, another partner -- I don't know --
7 maybe the plaintiff here father-in-law.

8 THE COURT: That's Ms. Zeng's -- Mr. Bao's
9 father-in-law or Ms. Zeng's father?

10 THE WITNESS: Correct.

11 THE COURT: Okay. So it was Ms. Zeng's father and
12 your wife, Mrs. Bao's, mother?

13 THE WITNESS: Yes.

14 THE COURT: They owned this company together?

15 THE WITNESS: Yes.

16 THE COURT: Okay. Mr. Stone.

17 Q. Okay. Were you aware that Mr. Bao worked for Shanghai
18 Speed?

19 A. Yes.

20 Q. And can you -- do you know in what capacity he worked?

21 A. He's general manager.

22 Q. And when you say general manager, did he participate, to
23 your knowledge, in that which you just described to Judge Krause
24 about hospitality, hotel, restaurants?

25 A. Yes. Basically, the time he actually maybe -- maybe he got

1 two jobs: One is in the bank, one is inside -- inside own
2 business.

3 Q. And you also knew that he was a long-term employee of the
4 Bank of Shanghai?

5 A. Yes.

6 Q. Okay. So with that background, from somewhat a decade ago,
7 did there come a time when, to your knowledge, you and Mr. Bao
8 became shareholders in Shanghai Speed?

9 A. Yes. Around like 2012, maybe 2012, 2013, I can't remember,
10 2012, that I had 51 percent on the Shanghai Speed, a majority
11 owner.

12 Q. Okay. And can you tell us who conveyed that interest to
13 you?

14 A. Most the share from mother-in-law. That means my wife's
15 mom.

16 Q. And I'm looking for it now, but I believe there was a
17 certificate of 510,000 shares; do you remember that?

18 A. Yes. That's the -- yes. That's the certain people's
19 signed it, including the plaintiff was on there, too.

20 Q. And I asked Mr. Bao yesterday, but I am going to ask you:
21 Were you aware whether or not he was also a shareholder in
22 Shanghai Speed?

23 A. Yes.

24 Q. And do you recall what percentage ownership he received?

25 A. More than a hundred percent.

1 Q. Okay. And did that occur at or around the same time that
2 you received your shares?

3 A. I can't remember. I can't recall. I knew it, but I don't
4 know exactly the day.

5 THE COURT: Okay. Hold on one second. Ms. Han?

6 What are you doing? The purpose of having your phone
7 here -- off the record.

8 (Discussion off the record)

9 THE COURT: We can go back on the record.

10 MR. STONE: I am going to be referring to Defendant's
11 P2. Hold on. I made a mistake.

12 THE COURT: Now, Mr. Stone, this is not an exhibit
13 that's in evidence. So --

14 MR. STONE: I don't believe so, Judge.

15 THE COURT: All right.

16 MR. STONE: If I can find the right one -- I don't
17 have it here. Hold on. Bear with me one second, Judge. I'm
18 sorry. Well, I am going to use -- I am going to use P4, Judge.

19 Q. Mr. Wang, let me show you what we have marked for
20 identification -- you can sit down -- for identification only.

21 You see that's a letter that's -- does that make reference --

22 THE COURT: Hold on. Go back. This is a document
23 that's not in evidence. So let's go through the regular
24 process.

25 Mr. Wang, Mr. Stone has handed you a document that's

1 been identified, that has been marked for identification as
2 Defendants' Exhibit P4. Do you recognize that document?

3 THE WITNESS: Yes.

4 THE COURT: What is it?

5 THE WITNESS: This is I am a majority 50 percent
6 shareholder. General manager Shuzhong Bao, 20 percent.

7 THE COURT: I am not asking what it says. I am
8 asking: What is the document?

9 THE WITNESS: The document is the transfer that I get
10 the ownership from somebody, from my mother-in-law 51 percent.

11 THE COURT: Okay. And have you seen this document
12 before?

13 THE WITNESS: Yes.

14 THE COURT: And how did you come to see the document?

15 THE WITNESS: The document, I can't remember. I think
16 Shuzhong Bao sent it to me.

17 THE COURT: You think Mr. Bao sent it to you?

18 THE WITNESS: Yes.

19 THE COURT: Okay. Just for the record, the document
20 at the top of it says it is from Shanghai Donghai Law Firm, and
21 it says -- in the English translation at least -- it says,
22 Letter of Attestation. I don't know if this document was
23 originally in Chinese, although I suspect it probably was.

24 THE WITNESS: It was --

25 THE COURT: Hold on. Just hold on.

1 THE WITNESS: Okay.

2 THE COURT: So, Mr. Stone, you are seeking to move
3 this into evidence?

4 MR. STONE: No. I just wanted to make sure that -- I
5 am trying to get the date of when the transfer took place, and I
6 think that makes reference to a date to refresh his
7 recollection.

8 THE COURT: But then if we are using it to -- that's
9 not how we do that.

10 MR. STONE: Pardon me?

11 THE COURT: That's not how we do that. I mean, if you
12 want to refresh his recollection, you have to ask him the date,
13 when it happened, and then if the document refreshes his
14 recollection, and not have him read from the document. This
15 document is not in evidence.

16 MR. STONE: That's what I was -- I was about to do
17 that.

18 THE COURT: Okay. All right. Next time, though, ask
19 him the question that you are trying to refresh him on before
20 you show him the document.

21 MR. STONE: Okay. All right.

22 THE COURT: Okay. So turn that document over, please.

23 Ask the questions that you think he is not going to
24 know the answer to, or maybe you have already asked that, and I
25 forgot now. But just ask him again. We will try to do it that

1 way.

2 Q. Do you remember the approximate date when you and Mr. Bao
3 received a conveyance of the respective shares in Shanghai
4 Speed?

5 A. 2012, I can't -- early, maybe early that year. I can look
6 the day. I estimate about early -- 2012 for sure, but -- I
7 can't remember exactly the date.

8 Q. Would it be helpful --

9 THE COURT: Early 2012 I think makes the point,
10 Mr. Stone. We don't need to -- I mean, we don't really need to
11 get into the details.

12 MR. STONE: I don't want to belabor the point. I
13 mean --

14 THE COURT: But he says early 2012.

15 MR. STONE: Okay. Let's move on. Let's move on.

16 THE COURT: Okay.

17 MR. STONE: Bear with me a second. All right.

18 Q. So after 2012, did -- to your knowledge, did Mr. Bao
19 continue to be employed by both the bank and Shanghai Speed?

20 A. Yes.

21 Q. Okay. Now, as 2015 approached, were there more serious
22 discussions between you and the plaintiff about the property and
23 businesses located in Piermont?

24 A. Yes.

25 Q. And did those conversations take place by phone, email,

1 some other method of transmitting information to one another?

2 A. If the conversation was the deal, yes. Mostly on the
3 phone.

4 Q. Okay.

5 A. WeChat we call.

6 Q. WeChat?

7 A. Yes.

8 Q. Okay. And during those conversations, in the early
9 conversations, did -- had you already provided the financials of
10 the investment to Mr. Bao?

11 A. Yes, I did early. Yes.

12 Q. Did the two of you have any discussions about the substance
13 of the economics of the deal?

14 A. Yes. Because all the paperwork's English, I was one by one
15 explained to what was there, and also he was maybe find some
16 translation. He know exactly the deal.

17 THE COURT: Okay. Can I just -- can we clarify? I
18 just want to make sure I understand when this is happening. Do
19 you want to ask that?

20 MR. STONE: All right.

21 Q. Can you -- strike that.

22 Can you tell us about when this process took place? Was it
23 in '16, '15, '14?

24 A. '16. '16, maybe early '16 or I think it's early '16.

25 Q. Okay. Now, at some point the two of you decided to make an

1 offer for the property and the businesses; is that correct?

2 A. Yes.

3 Q. Can you tell us a little bit about it? Was there a realtor
4 involved?

5 A. Yes.

6 Q. And anything that you did -- oh, strike that.

7 Was Mr. Bao and his wife in the States in early '16?

8 A. No.

9 Q. So whatever you were doing here in regard to this
10 investment, did you have the authority to do that with Mr. Bao?

11 A. Yes.

12 Q. Did he ever object to anything?

13 A. No.

14 Q. Did he ever -- was he ever critical of any of the
15 financials?

16 A. No.

17 Q. Did he ever comment to you about, well, the deal looks
18 good; it looks like it could be profitable, the property is
19 located in a good spot? Did he have those discussions with you?

20 A. Oh, yeah, of course. If not, he not going to do it.

21 Q. Now, at some point you must have started to speak about
22 money?

23 A. Yes.

24 Q. So before you spoke about the deal between the two of
25 you --

1 A. Uh-huh.

2 Q. -- you had to talk about the deal of the acquisition of the
3 Piermont project?

4 A. Yes.

5 Q. Okay. So --

6 THE COURT: Hold on. You are saying you -- when you
7 -- well, let me -- can you clarify, Mr. Stone -- what I don't
8 understand from that question is when the terms of the deal
9 between Mr. Wang and Mr. Bao were put in place relative to when
10 the realtor got involved in terms of the actual purchase because
11 we've sort of blurred all of that together now, so I would like
12 to be a little bit more precise about the sequence.

13 MR. STONE: I'm going to ask those questions.

14 THE COURT: Okay.

15 MR. STONE: But may I share something with you?

16 THE COURT: Okay.

17 MR. STONE: All right. When you do a deal, first you
18 look at the deal --

19 THE COURT: I don't care about generally. I really
20 just want to know how it all worked here.

21 MR. STONE: So I am going -- let's go over it again.

22 Q. Before you talked -- you spoke to Mr. Bao about the details
23 of your relationship, you had to take a look at the project
24 itself to see if it was viable?

25 A. Yes.

1 Q. And did the two of you do that with each other?

2 A. Yes. Also I would tell him the status of the deal.

3 Q. You would report to him?

4 A. Yes. Let's say with the freezer check, where the hazards
5 in the ground, oil tank, everything. I was reported one step by
6 one step by one step.

7 Q. So let's share that with the judge because I don't know if
8 Judge Krause has a background in these types of projects. We
9 have to be a little bit more detailed.

10 THE COURT: No, that's fine. This is all taking
11 place, all of the investigative steps and the site visits and
12 the environmental evaluation, all of that is taking place before
13 you came to an agreement with Mr. Bao on the exact terms of the
14 investment; is that right?

15 THE WITNESS: No. Because the deal, we set out the
16 deal how we going to do the -- for this project, right, how much
17 money we needed, how we are going to do it. That's early,
18 early, earlier than the deal was being closed.

19 THE COURT: Okay.

20 Q. Okay. So let's get into -- let's go back first to Shanghai
21 Speed.

22 A. Uh-huh.

23 Q. Did Shanghai Speed have any relationship to the Piermont
24 project?

25 A. Before the project, no. I only just the shareholder. I am

1 not going to -- yeah, let's say no. Yes.

2 Q. But at some point there was a formation of several
3 corporations, correct?

4 A. That time actually no corporation.

5 Q. Right.

6 A. Yeah, I only had one Sunwoo Management, not more
7 corporation yet.

8 Q. So when the offer was made to purchase Piermont, was it
9 made in the name of a corporation or was it made in the name of
10 an individual with a corporation yet to be formed?

11 A. I don't know exactly the day. First start with the Sunwoo
12 Management. We call Management.

13 Q. Right.

14 A. After that, we file they called "Inc.," which is Sunwoo
15 Trade, Inc. another company called 506 Holding. Then we easy
16 we call "Holding." We started Management, Inc. first. Set out
17 percentages of this deal that advises of percentage for each
18 party. That time we set out Shanghai Speed, just like a use
19 this corporation for the foundation. Then we have the deal with
20 the -- is the Inc. The Inc., because we have to purchase the
21 Inc. for the two companies. One company is the Sunwoo, Inc.
22 Another company is called -- was called Shanghai Company,
23 Shanghai Company. We both invests this property, but actually
24 they -- later on they split the real estate how much with the
25 holding company, how much for the business. That's for the

1 liquor license and liability issues. So basically, we have
2 the -- we have the deal, not -- but we have started talking that
3 one. We have the Sunwoo Management Company, and later on we
4 applied because the only that year close Sunwoo Trade, Inc.

5 THE COURT: Okay. This is not a language barrier
6 issue. This is a corporate language issue. I did not
7 understand that at all. That's not because of an English versus
8 Mandarin issue. I just didn't follow that at all.

9 THE WITNESS: Okay.

10 THE COURT: And so we are going to have to try to do
11 that again.

12 THE WITNESS: Okay.

13 THE COURT: Can I ask this question? Before you made
14 any offer, you or any corporate entity or whoever made the offer
15 to purchase the 506 Piermont real estate or the restaurants, had
16 you and Mr. Bao agreed on the terms of the investment that he
17 would make in this entire project?

18 THE WITNESS: Actually, the deal -- I direct talked to
19 Shuzhong Bao was not really involved. We have Speed, and we
20 have -- we called his father-in-law.

21 THE COURT: So you are saying --

22 THE WITNESS: Everybody know it.

23 THE COURT: So your testimony is that it was not just
24 a deal between you and Mr. Bao; that it also involved Shanghai
25 Speed and Mr. Bao's father-in-law?

1 THE WITNESS: Yes.

2 THE COURT: Hold on one second.

3 THE WITNESS: Okay.

4 THE COURT: And so were the terms -- from your
5 perspective, were the terms of that arrangement, the terms of
6 the deal between you and whoever else was involved, were those
7 agreed upon before you made any offer to purchase the property
8 and the restaurants?

9 THE WITNESS: Actually, yes.

10 THE COURT: Okay. Can you tell me what the terms of
11 that deal were in terms of how the money would be invested from
12 Mr. Bao and anybody else in China; how that would flow into this
13 506 Piermont project? From your perspective, what were the
14 terms of that arrangement?

15 THE WITNESS: Basically, we counted the money is about
16 like a \$600,000 in Shanghai company into the deal.

17 THE COURT: Okay. So \$600,000 would be coming from
18 China --

19 THE WITNESS: Yes.

20 THE COURT: -- into the deal?

21 THE WITNESS: Yes.

22 THE COURT: Okay. And from your perspective, how was
23 that \$600,000 allocated?

24 THE WITNESS: \$600,000 was, just as I said, we have
25 put the -- what's called an earnest money down payment, tax,

1 closing, all the costs.

2 THE COURT: Okay.

3 THE WITNESS: Yes. That's the parcel money after deal
4 closed about like a 320,000, 330,000, the cash to close the
5 deal.

6 THE COURT: You needed to have 320 or \$330,000 in cash
7 to close the deal?

8 THE WITNESS: Yes.

9 THE COURT: Okay.

10 THE WITNESS: Then the rest was a loan.

11 THE COURT: Okay.

12 THE WITNESS: The commercial loan, yeah.

13 THE COURT: And then the rest would be financed by a
14 commercial loan?

15 THE WITNESS: Yes.

16 THE COURT: Okay. And the \$600,000 that was coming
17 from China --

18 THE WITNESS: Yeah.

19 THE COURT: -- first of all, how was that -- where was
20 that money coming from?

21 THE WITNESS: The money come from Shanghai Speed.

22 THE COURT: All of it?

23 THE WITNESS: Yes.

24 THE COURT: So -- okay.

25 THE WITNESS: In my knowledge, it come from Shanghai

1 Speed. I never get any shareholder, any another people saying
2 that money come from certain people, and I never got any notice.
3 I never know until they come and said, oh, that's my money.

4 THE COURT: Okay. So your understanding at the time
5 of the transaction was that the \$600,000 that was coming from
6 China as part of the investment in this project, it was all
7 coming from Shanghai Speed?

8 THE WITNESS: Yes. We have the documentation to
9 support that.

10 THE COURT: Okay. And with all of that money coming
11 from Shanghai Speed, in your telling, how was that money
12 supposed to be used for the project?

13 THE WITNESS: The money should be used all of it to
14 the business.

15 THE COURT: Okay.

16 THE WITNESS: Even I owned 51 percent, I still have
17 put it in the business.

18 THE COURT: Okay. And in your understanding, how was
19 that money transferred from China to the United States?

20 THE WITNESS: That's I only hear from the plaintiff.
21 I don't know exactly. Maybe I knew it because the -- they can't
22 send money to the company. That's the one thing for the -- over
23 there, just regulation.

24 Another thing is we don't have the company yet.

25 THE COURT: Okay.

1 THE WITNESS: Yeah. That's the only thing they can
2 send is to me because we need the money to purchase, and I am
3 not going to find a company waiting for the money -- even I have
4 the company, they still can't send the money to the firm, the
5 oversea the people. They -- the money, only what it used for,
6 only for, okay, tours -- you want the tour, just like come here,
7 tours, and some kids study U.S., and that's like a --

8 THE COURT: Okay.

9 THE WITNESS: -- life expenses. Not going to say I
10 just got investment.

11 THE COURT: Okay. So your testimony is that there are
12 restrictions on how individuals in China, what they can transfer
13 money to the United States for?

14 THE WITNESS: Limited, yes. That's why limited to
15 50,000.

16 THE COURT: Limited to 50,000 for individuals?

17 THE WITNESS: Yes.

18 THE COURT: But you said the money all -- from your
19 understanding, it all came from Shanghai Speed?

20 THE WITNESS: Correct.

21 THE COURT: And does a corporation like Shanghai Speed
22 have those same restrictions?

23 THE WITNESS: Shanghai Speed, if the corporation here
24 wire the money to the individual in the same country, doesn't
25 have anything.

1 THE COURT: But what about if Shanghai Speed was going
2 to wire the money to the United States?

3 THE WITNESS: That's the -- that's the set -- how the
4 plan was set out. If the Shanghai Speed want an investment
5 oversea, you have to go to Shanghai oversea, just like an
6 oversea money, you have the proof by the government.

7 THE COURT: Okay.

8 THE WITNESS: They want to cross this one, they just
9 send, give the money to the other individual. The individual or
10 other individuals say this money is sent over.

11 THE COURT: Okay.

12 THE WITNESS: That's -- I was -- if I can say that,
13 it's just a back to the before. I would send the regulation to
14 the plaintiff. They said, I threaten them. I was looking at
15 how -- just like what? And I looking at all, all the regulation
16 really, really clear. I have the paperwork there. They said I
17 am threatening. I don't know.

18 THE COURT: All right. Go ahead, Mr. Stone.

19 Q. What happens to the money if it goes from Shanghai Speed
20 improperly to a corporation in the states? What happens to the
21 money? Is it exposed?

22 A. Say that again?

23 Q. What happens -- if Shanghai Speed sends the money directly
24 to an investment corporation in the states, is that money
25 exposed to some regulation in China?

1 A. No. It's blocked. They can't do it.

2 Q. They can't do?

3 A. There is a host -- the reserve, they say the corporation.

4 It's gone. Yes.

5 Q. Is that -- can they confiscate that money?

6 A. Yes. That's the big corporations, the Chinese they have
7 some -- they have the proof by the Chinese government big chunk
8 of the money comes to the U.S. If not an individual, you have
9 to go through that process.

10 Q. Do you remember the taped conversation from yesterday? Do
11 you remember that?

12 A. The tape conversation, I say -- you got a lot of work if
13 it's legal, illegal. As for me, it's -- I am totally is -- it
14 doesn't matter. They are legal. He pick up the things good for
15 him. He didn't say, oh, I talked. The tape the things. He
16 like it. He sent it to the Court. And the WeChat conversation,
17 you know, the WhatsApp, the WeChat, that was -- I say I don't
18 like, I can delete it. After I delete it, sent it to the Court.

19 THE COURT: Okay. Stop. Okay? If there is other
20 evidence that could have been submitted, this is not the time to
21 start objecting to the contents --

22 THE WITNESS: Sorry.

23 THE COURT: That's okay. It's not the time to start
24 objecting to the contents of the documents or suggesting that
25 they are incomplete.

1 THE WITNESS: I'm sorry.

2 THE COURT: Just wait.

3 THE WITNESS: Okay.

4 THE COURT: If there was a time to do that, that time
5 was long ago. If there was an objection to be made that the
6 documents were incomplete or that they didn't tell the complete
7 story, that objection should have been made long before the
8 trial. So any objection to that effect has been waived unless
9 there is some compelling evidence to the contrary that these
10 documents are incomplete, which it can't just be your testimony,
11 especially not at this point in the case.

12 THE WITNESS: Okay.

13 THE COURT: So let's not -- the question was: Do you
14 remember the recording from yesterday? Clearly, the answer is
15 yes.

16 If you have a specific question about that, Mr. Stone,
17 you can ask the specific question.

18 Q. Did you ever intend to threaten Mr. Bao?

19 A. Okay. Let's say --

20 THE COURT: Hold on. Listen to the question. Hold
21 on. Listen to the question, and then just answer the question.
22 One person at a time. Go ahead.

23 Q. Did you ever intend to threaten Mr. Bao in that phone
24 conversation?

25 A. No.

1 Q. So let's go back to the question the judge asked, then I
2 will follow up. At some point, did you and Mr. Bao outline the
3 terms of what your business relationship was going to be in
4 regard to Piermont?

5 A. So please ask your question again.

6 Q. Okay. Did you two come to an agreement as to what were the
7 terms of the agreement between you and Mr. Bao as it relates to
8 the Piermont property, businesses, apartments, operation, did
9 you make a deal?

10 A. There is actually, again, that's should be -- maybe
11 Shuzhong Bao representative Shanghai Speed, but basically, I
12 talked him -- I just feel talk to Shanghai Speed. We have
13 the -- we have the agreement, majority agreement, just like a
14 percentage of this deal.

15 Q. Okay. So let's talk about that. What was the percentage?

16 A. I got a total \$600,000 in the project.

17 THE COURT: Meaning you received \$600,000?

18 THE WITNESS: Yes. It's basic 600, but take some
19 banker fees and whatever. Just call it 600.

20 THE COURT: Call it \$600,000. You received that in
21 from China?

22 THE WITNESS: Yeah.

23 THE COURT: Okay. And then how much were you going to
24 put up for the deal yourself?

25 THE WITNESS: Okay. That is what I already said. I

1 was told put on deal is about like on the closing statement
2 200 -- 214,000 on the closing statement I have here, and plus
3 the inventory because one is the wine bar, high-end restaurant,
4 high inventory. The inventory costs about 100 -- I can't
5 remember exactly -- more than a hundred thousand. Maybe cost
6 150, between 120 to 150. Other things, they are going to be
7 300, 370 or 350 or 370.

8 THE COURT: Okay. Mr. Stone, is there an exhibit that
9 lays this out at all or no?

10 MR. STONE: I am sorry, Judge?

11 THE COURT: I am sorry. Is there an exhibit that lays
12 out --

13 MR. STONE: It does.

14 THE COURT: Good. Let's see it.

15 MR. STONE: May I approach?

16 THE COURT: Is this an exhibit that's in dispute, Ms.
17 Han?

18 MR. STONE: This is N2. I think it's also plaintiff's
19 exhibit. The closing statement, but I don't have the
20 correspondence.

21 THE COURT: N2. The corresponding exhibit is
22 Plaintiff's Exhibit P, as in Peter. Is that one in evidence,
23 Salihah?

24 MR. STONE: It's N2.

25 THE COURT: Yes, that's the loan documentation, right?

1 Or at least the first page of it is the loan documentation.

2 MR. STONE: The investment statement in there.

3 THE COURT: But that's already in evidence,

4 Plaintiff's Exhibit P, also known as Defendant's Exhibit N, as
5 in Nancy, 2.

6 MR. STONE: May I approach, Your Honor?

7 THE COURT: Hold on. Let me just make sure. Do we
8 have that in evidence, P? Plaintiff's P?

9 THE DEPUTY CLERK: Yes.

10 THE COURT: All right. Go ahead, Mr. Stone.

11 Q. I want to show you what's been marked for identification as
12 N2. Have you seen that? Take a look through those documents.

13 THE COURT: I just want to -- off the record for a
14 second.

15 (Discussion off the record)

16 THE COURT: All right. Go ahead.

17 Q. Okay. Mr. Wang, will you take a look through -- have you
18 looked through that document?

19 A. Yes.

20 Q. Can you tell the judge what that is?

21 A. First the one is the settlement, was all the loan documents
22 on the page -- I don't know what's the page.

23 Q. Is there a closing statement --

24 A. Yes.

25 Q. -- in there?

1 A. Yeah, closing statement.

2 Q. So let's go -- let's go to the closing statement.

3 A. Yes. Settlement statement, yes.

4 Q. Can you explain to the -- first of all, how much was
5 borrowed?

6 A. Let's say, the closing statement two page. Look the last
7 page.

8 THE COURT: I am sorry. Hold on one more second. I'm
9 just making sure that we are all talking about the same
10 document. Do you have the document there, Ms. Han?

11 MR. SCHMIDT: Yes, we do, Your Honor.

12 THE COURT: And do you agree that N2, Defendants' N2
13 is the same as Plaintiffs' P?

14 MR. SCHMIDT: Yes, Your Honor, we do.

15 THE COURT: Okay. Then I will stop doing this. Let's
16 talk about specific pages that we are referencing so the record
17 can be clear.

18 MR. STONE: Okay.

19 THE COURT: We have Plaintiffs' Exhibit P, also known
20 as Defendants' Exhibit N2. That's already in evidence. So
21 which page are you referring to?

22 MR. STONE: Okay. So let's start -- let's work our
23 way through it.

24 THE COURT: Okay.

25 Q. The first question: You are familiar with these documents,

1 Mr. Wang?

2 A. Yes.

3 Q. And you have seen them before?

4 A. Oh, yes. I signed it.

5 Q. All right. And before the closing of this loan, did you
6 share the information with Mr. Bao as to how much money you were
7 borrowing?

8 A. You see, before the closing, I don't have the papers.

9 After closing, I show him.

10 Q. Okay.

11 A. Yes.

12 Q. And did he object to the fact that the loan was for a
13 million \$360,000?

14 A. Yes. I saw he don't trust it as true.

15 Q. What?

16 A. He don't trust it as trust.

17 THE COURT: He didn't trust that it was true?

18 THE WITNESS: Yes. Because it say on the contract
19 1.2.

20 THE COURT: Okay. But I think the question I think
21 that Mr. Stone was asking before was: Before you -- I
22 understand you didn't have the final signed documents until you
23 signed them.

24 THE WITNESS: Uh-huh.

25 THE COURT: But before that time, did you ever tell

1 Mr. Bao that you were going to be taking out a loan in the
2 amount of \$1,360,000 to purchase this property?

3 THE WITNESS: Yeah, of course.

4 THE COURT: Okay. And you told him the actual amount
5 of the \$1,360,000?

6 THE WITNESS: Yes. Exactly. I don't know he
7 understand that, but I explain to them it were 145,000 just for
8 be the renovation because the building old. Renovation 100,000
9 working capital added together.

10 Q. Tell the judge a little bit about the renovations. Did you
11 receive the whole 1,360,000?

12 A. No. No.

13 Q. Explain to the judge why you didn't receive that money?

14 A. Actually is, I didn't receive anything. Only I received
15 the \$100,000 for working capital. Because the money go to the
16 seller, whatever. I was -- the renovation money, bank don't
17 give it to me. I send a contract. Just like, okay, today you
18 change the window. How much cost? Bank send the money direct
19 to the contractor. I'm not involved. I only need to say is the
20 windows finish, floors finish, outdoor is finished, road is
21 finish; the banker send the money direct to the contractor.
22 Didn't come into my hand.

23 Q. Now, during that process, after the closing, both the
24 acquisition of the property and the renovations, did you have
25 communications with Mr. Bao?

1 A. Yes.

2 Q. Was he in the States?

3 A. He part of it in the States, part of it not in yet.

4 Q. Was he participating in any of the supervision of the
5 renovations?

6 A. I can't remember, but he exactly know what I am doing, what
7 are we doing right now. Yeah.

8 Q. Okay. So let's go back to the closing statement.

9 A. Okay.

10 Q. Somewhere deep in the closing statement can you find the
11 closing statement?

12 And, Judge, all of the pages are not numbered.

13 THE COURT: That's okay. You can just describe it,
14 and I will find it.

15 MR. STONE: Okay. So it says Settlement Statement
16 HUD-1.

17 THE COURT: The HUD-1 form? Yes, I am familiar with
18 that form generally. So the HUD-1 form is in the middle of this
19 package of materials that is at Plaintiffs' Exhibit P, also
20 known as Defendants' Exhibit N2. It says Settlement Statement
21 (HUD-1) at the top of the form. It's a three-page -- well, it
22 says it's a three-page form. It says page 1 of 3 on the bottom,
23 but there are only two pages here. The second page is the
24 signature page. The second page in the exhibit is the signature
25 page. There's -- there may be a page missing in this HUD-1

1 form. I am not sure if that's relevant or not, but we have
2 page 1 of 3, and then we have the signature page. So that's
3 what we have.

4 MR. STONE: Okay.

5 MR. SCHMIDT: Thank you, Your Honor. That conforms
6 with what I have as well from defense.

7 MR. STONE: Mine, too.

8 THE COURT: Go ahead.

9 Q. Mr. Wang, do you have the investment statement in front of
10 you?

11 A. Yes.

12 Q. So let's explain how there was a disposition --
13 disbursement of the \$1,360,000.

14 A. Yes. The detail -- I don't know. It's so some pretty
15 small. Yes, just let's say property 960, and the 400 is just --
16 is the line 103.

17 THE COURT: Okay. Let me just make sure I understand.
18 Line 101 says Contract Sales Price. That's \$960,000. That's
19 the price of the property, correct?

20 THE WITNESS: Yes. Yes.

21 THE COURT: To 506 Piermont?

22 THE WITNESS: Yes.

23 THE COURT: All right. Then we have line 104,
24 purchase of Xaviars and Freelance Cafe business assets,
25 \$240,000.

1 THE WITNESS: Correct.

2 THE COURT: Okay. So that's a total of 1.2 million to
3 purchase property and the business assets?

4 THE WITNESS: Correct.

5 THE COURT: All right. And then what else do we have?

6 THE WITNESS: I see here, the 106, I don't know
7 exactly that.

8 THE COURT: Those are taxes. 106 and 107, those are
9 taxes, right?

10 THE WITNESS: Taxes. Then the rest come to the 1.4.

11 THE COURT: 1.437, which amounts to the price of
12 the -- the sum of the contract sales price for the property,
13 purchase of the restaurant assets, the taxes due for the
14 relevant period, city, county and school taxes. Then there is
15 something that says, settlement charges to borrower, which is a
16 combination of a number of things. So that gets to a total
17 gross amount due from the borrower of 1.437 and change; is that
18 right?

19 THE WITNESS: Yes.

20 THE COURT: Okay.

21 Q. So in addition to the loan, it was necessary for you to
22 bring cash to the closing?

23 A. Actually, the cash closing I need to bring because the
24 restaurant was still running, the end of the business night, he
25 give me the inventory. Then we go to the law office. He give

1 me the inventory. I write him a check. Then the deal was
2 closed.

3 The next day, the next two days, I get a working capital
4 from -- from a borrower that's directly go to the business
5 account.

6 Q. Okay.

7 A. Yes.

8 Q. Now let's go back. So the project closes. Is Mr. Bao yet
9 working at any of the restaurants?

10 A. Not yet.

11 Q. Okay. So the closing takes place. At any time prior to
12 that closing, did you and Mr. Bao come to the terms of your
13 agreement as it relates to this project?

14 A. When you say the terms -- yes. We always same terms was
15 just like 50/50, whatever comes out, you know, the real estate,
16 business, everything is 50/50.

17 Q. Okay. Okay.

18 THE COURT: Can I just -- while we're on the HUD-1
19 form just one more minute. You had \$600,000 in cash come in --

20 THE WITNESS: Yes.

21 THE COURT: -- from China?

22 THE WITNESS: Yes.

23 THE COURT: The total gross amount due from you, the
24 borrower, on this transaction was 1.4 million, a little more
25 than 1.4 million?

1 THE WITNESS: More.

2 THE COURT: I mean -- but I am looking at the
3 paperwork. It say the \$1,437,500.

4 THE WITNESS: Then we look at the bottom.

5 THE COURT: Yes.

6 THE WITNESS: Yeah, look at the bottom. After that,
7 we have the 201 -- I don't know what was there -- on the
8 line 201.

9 THE COURT: Yes.

10 THE WITNESS: And the 2 -- 202 that come out the total
11 that --

12 THE COURT: Right. Okay. But -- and the 202 is the
13 amount of the loan, \$1,360,000?

14 THE WITNESS: Yes.

15 THE COURT: And then 201 is the \$120,000 deposit or
16 earnest money, which would be cash, right?

17 THE WITNESS: Yes.

18 THE COURT: So what I am trying to understand is if
19 the total amount due from the borrower to close this transaction
20 was a little bit more than \$1.4 million, and you had \$600,000 in
21 cash coming in from China, why did the amount of the loan have
22 to be as high as it was?

23 THE WITNESS: Because the loan, you know, I can't --
24 for the management issues, that's where all the money go to one
25 deal. We have just the restaurant -- explain restaurant. They

1 taught us that three years the working capital on hand, and the
2 bank approve me. Banker the one who put all 600 down out of
3 working capital. When the business not good, my cash chain is
4 broken. So I have -- plus the money I have the \$270,000 on the
5 hand. And the bank require me just you pay 200 -- I think
6 216,000. That's the last second page on the 216,000, for the
7 close the deal. 216,000 plus the loan. I am good. And also I
8 have the \$100,000 working capital. That's for -- that's for the
9 future working capital you used to have to pay or whatever.
10 Then I still have about a 250 from the Shanghai money on my
11 hand. I did have the money on hand, and whatever the renovation
12 money from the bank.

13 THE COURT: But the renovation money from the bank was
14 part of the loan, right?

15 THE WITNESS: Yes. Part of the loan.

16 THE COURT: And \$100,000 in working capital was also
17 part of the loan?

18 THE WITNESS: Part of the loan.

19 THE COURT: But you are saying that you had to have --
20 if I understand -- \$216,000 at the time of closing, based on the
21 line 14 -- the very last line of this document.

22 THE WITNESS: Yes.

23 THE COURT: The HUD-1. You had to have \$216,000 at
24 the time of closing that you had to bring with you, plus
25 \$120,000 deposit, so that adds up to approximately 340,000.

1 THE WITNESS: Yes. Plus, I writed [sic] a check for
2 the inventory.

3 THE COURT: Plus the check for the inventory.

4 THE WITNESS: Yeah, inventory. Bank not going to say,
5 I give you inventory right away. If give you inventory right
6 away, not enough for the money. Deal close, everything signed,
7 banker process. Give me the money.

8 So I have to pay -- I can't remember, 110 to \$150,000
9 because a lot of wine. We have a whole wine cellar. I paid
10 that on advance on the closing table.

11 THE COURT: Okay. So \$215,000 for the settlement
12 charges at the closing; \$120,000 for the down payment deposit;
13 plus 100,000 or \$120,000 for the inventory.

14 THE WITNESS: Yeah, yeah. Between --

15 THE COURT: So that adds up to approximately \$450,000.
16 Plus then, if I understand your testimony, you needed to keep
17 some amount of cash on hand on top of the working capital that
18 was provided by the bank as part of the loan because that's the
19 nature of the restaurant business?

20 THE WITNESS: Yes. And also I want to say it is
21 because it's an old building that we started cleaning. The
22 employee broken in the pipe called asbestos. I don't know my
23 pronounce right or not. That's the white like a powder. If you
24 touch it, people smoke and can be lung cancer.

25 THE COURT: Oh, asbestos.

1 THE WITNESS: They broke it out. County coming, I
2 have to clean the whole place, taking them all out. Taking
3 thousands of the money, but it's not here. That's from my --
4 from my side. He know that. I was clean the whole thing.
5 That's because -- but I didn't count that, not on the closing
6 deal because I paid for that.

7 THE COURT: Essentially your testimony is that we have
8 covered the specific amounts that are documented here, but there
9 was also some amount that you needed to keep in reserve for
10 working capital and to get you through the slow periods of the
11 restaurant or renovations that weren't covered by the loans or
12 whatever else; you just needed to have some money on hand in
13 order to continue or to float the operations of the restaurant?

14 THE WITNESS: Correct.

15 THE COURT: Okay. Mr. Stone.

16 Q. Okay. Now, but did there come a time after the closing
17 when Mr. Bao appeared and began to work at the restaurant?

18 A. Yes. But if you want a specific time, as the deal closed
19 in '16 October, he coming here about like February --
20 February 2017.

21 Q. Okay.

22 A. About like maybe 14, 15.

23 Q. But that was part of the deal; you knew that he would be
24 coming later to manage that property, correct?

25 A. Yeah. They should come a little bit early because of

1 Chinese New Year's. I want him coming right away because it's
2 the Chinese New Year, after new year come, so that's why I
3 remember it was February 2017.

4 Q. Were you operating both restaurants before he arrived on
5 the scene?

6 A. Yes. You know, I sleep upstairs the Piermont. I was the
7 daytime, I would go over there, and in the night I look around
8 because all the people I am new there. So my wife did a good
9 job. He's go to the Tuscany. I am sleeping on the top -- the
10 top of the unit just to manage the two restaurants and deal. It
11 was just everything. Yes.

12 Q. But when you -- when that business started after the
13 closing -- strike that.

14 Before you closed, can you give us an idea of how much
15 annual receipts there were in the two restaurants?

16 A. Oh, there was a lot. I say it was 2 million.

17 Q. Okay. Did it stay at that level for any period of time
18 after the closing?

19 A. Say that again?

20 Q. Did it continue at that level after the closing?

21 A. Keep a couple months. I am not going to say whatever whose
22 fault, but just the case is like that I have the winter two --
23 \$2 million; in 2019, I got less than 500,000, two restaurants.

24 Q. So when did Mr. Bao begin to do -- strike.

25 Did he do the day-to-day operations at the restaurants?

1 A. When he come in, I was him stay the same room. Hand by
2 hand, tell him a little at a time. Took me about -- I don't
3 know -- possibly two weeks, more. Learned every transaction
4 everywhere, everything I taught him all. Then as I go back to
5 the -- I look at the whole thing because I had kids, and my wife
6 can't all the time go to the --

7 Q. Was the checkbook located in Piermont?

8 A. On the first day he come in, I bring to him to the MT Bank
9 just right across us. I add his name in the first day come. I
10 pick him up airport, next day morning I just go over there. I
11 introduce to all the bankers. I good with the people. I was
12 introduce, this is my brother-in-law. He is going to do the
13 restaurant. He is the operator. Both check, all he authorized
14 to sign.

15 Q. Did he have authority to sign checks without getting your
16 permission first?

17 A. No.

18 Q. Did he call you every time he wrote a check?

19 A. No. That's so many checks. I couldn't come in every time.
20 THE COURT: Hold on. You asked if he had authority to
21 sign checks without getting Mr. Wang's permission first, and he
22 said no.

23 MR. STONE: Yes. He said no, he didn't have -- his
24 answer, no, he didn't have to get his authority.

25 THE COURT: Could you ask the question again?

1 Q. Okay. Did Mr. Bao need your authority to sign all the
2 checks?

3 A. Yes.

4 Q. He did need authority for you to sign every check?

5 A. You ask again. You know, you don't have to give me the
6 next sentence. Just tell me he is allowed to sign a check
7 without me.

8 Q. That's -- okay?

9 THE COURT: Well, off the record.

10 (Discussion off the record)

11 THE COURT: Your testimony was that Mr. Bao was
12 allowed to sign the checks without your permission?

13 THE WITNESS: Yes.

14 THE COURT: Okay. Was there any threshold where he
15 had to get your permission, like if the check was for more than
16 a thousand dollars or more than \$10,000?

17 THE WITNESS: No. Because he is already registered on
18 the bank.

19 THE COURT: Okay.

20 THE WITNESS: Yeah. He come the second day I bring to
21 the bank.

22 Q. Now, how about employees? Did he have the authority to
23 manage all of the employees?

24 A. Yes.

25 Q. Did he have the authority to hire or terminate employees?

1 A. Yes.

2 Q. Did he need your authority to do that?

3 A. Authority to do that. Just like, you know, I am more
4 experienced. You asking me the person no or yes, you know. If
5 the hiring the people if we need it, he never asking me. Some
6 people I not even know. I saw the changes later.

7 Q. Did he have authority to work with the vendors and buy food
8 and other products for the restaurant?

9 A. Yes.

10 Q. Now, tell us a little bit about the liquor license. And I
11 think in order to do this --

12 THE COURT: Can I ask one other question on the checks
13 while we are on that? Were there other people at the restaurant
14 who had the authority to write checks at any point?

15 THE WITNESS: No.

16 THE COURT: Never?

17 THE WITNESS: Never. I was -- you want to go back to
18 yesterday's testimony?

19 THE COURT: No. I just want you to answer the
20 question that I am asking you.

21 THE WITNESS: One thing is that name called Erica
22 (ph). Liquor check come -- I don't know exactly amount. Then I
23 will sign the check. I estimate as a 500,000 -- 500, with no
24 more than a thousand. Limited thousand under, I sign it. Then
25 he can write it amount to hand it to the -- hand it to the

1 driver for the liquor.

2 THE COURT: So for those you had to sign the checks?

3 THE WITNESS: I signed the checks. That's is not he
4 coming; that's my brother-in-law that come here.

5 THE COURT: Before he came here?

6 THE WITNESS: Before he came here. For sometime I was
7 registered the liquor. He asked how many? 500 under. I just
8 write a check, and which company name on the title, he just sign
9 it.

10 THE COURT: Okay. But your testimony is that once
11 Mr. Bao was added to the bank account when he came to the United
12 States in or around February of 2017, there was nobody else at
13 the restaurant who was authorized to write checks on that
14 account other than him?

15 THE WITNESS: Yes. Because only two people registered
16 in the bank. Two signature bank recognize.

17 THE COURT: Okay. And Mr. Bao testified yesterday
18 that there was a period of time in 2017 when he returned to
19 China because his father was sick, and then another period of
20 time when he returned to China when his father passed away. Do
21 you remember that testimony?

22 THE WITNESS: That's the testimony --

23 THE COURT: Do you remember that testimony?

24 THE WITNESS: Yes.

25 THE COURT: Okay. So during that time -- well, do you

1 remember that there was a time that Mr. Bao returned to China in
2 2017 because of his father's illness and ultimately his father's
3 death?

4 THE WITNESS: Yes.

5 THE COURT: And during that time, was there somebody
6 else at the restaurant who was authorized to write checks?

7 THE WITNESS: Just I am going to say again. If I
8 can't remember if exactly people sign, if the people sign or
9 with my signature was under the amount.

10 THE COURT: Okay. And then now -- this was another
11 point that came up yesterday in the testimony -- now, Mr. Bao is
12 not working at the restaurant anymore, correct?

13 THE WITNESS: Yes.

14 THE COURT: And so does Mr. Bao still have the
15 authority to sign checks?

16 THE WITNESS: I took it off.

17 THE COURT: Okay. And so somebody else signs the
18 checks now?

19 THE WITNESS: My wife.

20 THE COURT: Okay.

21 THE WITNESS: Yes.

22 THE COURT: Okay. But not Mr. Bao?

23 THE WITNESS: No, no. My wife.

24 THE COURT: Okay. Please proceed.

25 Q. Two things: Does your wife work at the restaurant every

1 day?

2 A. Yes. Right now.

3 Q. And why and how did you remove Mr. Bao from operating at
4 the restaurant?

5 A. So you want me to explain the whole thing?

6 MR. STONE: Yes. Judge?

7 THE COURT: Well, maybe we need to do it in more
8 digestible pieces than that, Mr. Stone, because I feel like it's
9 going to call for a narrative answer.

10 MR. STONE: Okay. Listen carefully to me.

11 Q. Did there come a time when the receipts of the restaurant
12 began to go down?

13 A. Yes.

14 Q. And was that during the time that Mr. Bao was managing the
15 restaurant?

16 A. Yes.

17 MR. SCHMIDT: Your Honor, if I may, that's --

18 THE COURT: Sustained. Sort of leading. You can ask
19 digestible questions that are still not leading.

20 MR. STONE: Okay. And -- well, that's what I asked
21 him before, but --

22 THE COURT: No, no. You asked -- you asked why did he
23 remove him from the --

24 MR. STONE: I think that --

25 THE COURT: Hold on. And the question was: Why did

1 he remove him from the bank to be able to sign it, and I think
2 that there is probably a 12- to 18-month course of dealing that
3 led up to that event. And so I think we are -- where we are in
4 the story so far, so far from this witness, is that by 2019, the
5 receipts of the restaurant had gone from approximately
6 \$2 million to less than \$500,000.

7 MR. STONE: That's correct.

8 THE COURT: So it's already been established, at least
9 this witness has testified that there's been a substantial
10 decline in the annual receipts of the restaurant; and I think
11 it's been established, again, according to this witness's
12 testimony, that Mr. Bao was managing the restaurant at or around
13 that time.

14 So the question is: What happened next?

15 MR. STONE: Okay.

16 THE COURT: Because I don't want to skip all the way
17 to the end because my understanding, at least from yesterday
18 from Mr. Bao's testimony, was that he wasn't removed from the
19 bank account until after he left the restaurant, but there's
20 still a chunk of time in between.

21 Q. During the time that Mr. Bao issued checks, did there come
22 a time when you had an issue with his issuing checks that you
23 learned from the bank?

24 A. I am going to say no. If I have maybe less than let's say
25 three or four, no more than ten. Basically, I don't think so.

1 I get it because maybe some day -- I don't think so. I'm not
2 going to say any checks, maybe single digit check.

3 Q. Okay. But did there come a time when you learned that
4 there were a series of checks that were returned?

5 A. I don't know until the bank calls me on the 30 -- less than
6 30 days, I get 53 checks, all the employees' payroll bounced
7 back. I paid I don't know how many thousands for the penalty.
8 Bank warning me, if you continue doing that, you are going to go
9 to black market. What it means? Just I put on a black market,
10 any bank don't do business with you.

11 THE COURT: When was that, approximately, that you had
12 this notification from the bank about the 53 bounced checks?

13 THE WITNESS: That is, you know, each check bounce
14 back. The bank give me note the funds not enough.

15 THE COURT: I'm sorry. Say that again?

16 THE WITNESS: Each check bounce back. Bank told me
17 the funds not enough. Reject funds back. Come out, continue,
18 continue, continue coming.

19 THE COURT: Okay. So it was not all at once? It was
20 over a period of time?

21 THE WITNESS: Just less than 10 or 20 days.

22 THE COURT: When was that, approximately?

23 THE WITNESS: That's right before I let the plaintiff
24 go out of restaurant. That's when I say, okay, I am done. I
25 can't do that anymore because each time I get a fine, I have to

1 put the money. That's the -- I used the money was called -- we
2 had it before. Clean them out. After let it go, still only
3 employed about like 40,000, that unpaid. Because, you know, I
4 sorry, I say, a lot of people, you know, because the kitchen is
5 only here. That's they wanted cash. I have to bring the cash
6 one by one and give to them, and also I have to have about
7 \$25,000 that checks was bounced from the bank.

8 Also, I have the vendor, about \$90,000 statements for
9 the food isn't paid for. That's the total added together over
10 300,000. That's the money I was -- that time I used the money
11 or paid it out until today I owe nothing.

12 Q. Did you discuss the bounced checks with Mr. Bao?

13 A. I not sitting say the bounced check not accident. Let's
14 say today I have the \$2,000 credit come in, then the plaintiff
15 write him a check by himself. Now he's the check first. Like I
16 take out 19,000 -- 1,900 out first. Then the rest the checks
17 give out to the employees. Then the check says reimbursement.
18 Reimbursement, didn't have any support for reimbursement.
19 Didn't have any support of the tip out of that fit the check. I
20 was pointed from the previous bank that much check write family,
21 write himself. I told him, I said, by law, if they give
22 employee the tip, you have to evidence just with the receipt.
23 Each employee says, okay, this week I got \$300 a tip. If he
24 don't pay the tax, I have the record that people get the money,
25 right? At down the road, people two years later say I got a

1 check -- I never get it. You never paid me the tip. I said,
2 that's really important. You have to keep a record. None.

3 Q. Okay. Did you explain that to Mr. Bao?

4 A. A long, long time. All the time. I said, that's not
5 right. You have a lot of people, even simple piece of paper,
6 right, I got 200, I got it 300. And then stick the check in.

7 Q. The checkbook that was -- so the receipts from the daily
8 receipts, who had the responsibility of collecting them and
9 depositing them?

10 A. That's the whole upgrading he did it.

11 Q. He did everything?

12 A. Yeah. I don't -- I don't have the sources to deposit the
13 checks. I don't have -- no, I don't. I never deposit only
14 single one.

15 Q. So let's go back. But did there come a time when you
16 decided that was it, that --

17 A. I can't do it.

18 Q. And you discussed that with him?

19 A. I can't discuss it with him. I just out. Giving
20 investment because he is representative from Shanghai Speed. He
21 didn't do great job. I have to let him go because I have
22 supported all of this business, but that means -- now that means
23 Shanghai Speed loss is shareholder still there. The particular
24 manager person have to go.

25 Q. By the way, after he -- when did he -- when was he removed

1 from the restaurant?

2 A. I can't remember.

3 Q. What year?

4 A. 2019.

5 Q. Okay. And after he removed and your wife began the
6 management, did the business begin to improve?

7 A. Other than Covid coming, yeah, but we actually is -- I am
8 lucky I have the great employees. They all stayed with me. Not
9 even single people left until today. We do very good.

10 Q. You are improving now?

11 A. Yeah. We can make some money. My wife got paid for my
12 investment. I never get any paid at all until my wife right now
13 getting paid.

14 Q. During the time that Mr. Bao was there, did he take payroll
15 checks for himself?

16 A. Yes.

17 Q. Did you?

18 A. I don't.

19 Q. Did your wife?

20 A. No.

21 Q. So the only one while he was there that was receiving any
22 money in salary or draw was Mr. Bao?

23 A. Both.

24 Q. Oh, he and his wife?

25 A. The plaintiff's wife and the plaintiff both take from

1 there.

2 Q. Just to make it clear, you didn't object to that, did you?

3 A. No.

4 Q. You wanted him to make money there?

5 A. I just -- you know, family, what money he need it. He need
6 to support a family. Anyway, just like, you know --

7 THE COURT: Hold on. I mean, at that time, he was
8 actually working there, right?

9 THE WITNESS: Yeah.

10 THE COURT: And you weren't actually working there?

11 THE WITNESS: Honestly, I not working, but the thing
12 is, you know, anything is broken, I have the 2 o'clock in the
13 morning ice machine is broken. I have to go there. I am not
14 like I said daily by daily work there. I do some work. I do
15 the work.

16 MR. STONE: I don't want you to misunderstand. We are
17 not flaunting it.

18 THE COURT: Go ahead. Next question.

19 MR. STONE: I just want to make sure you know that
20 while he was --

21 THE COURT: Next question.

22 Q. Now, let's get back to the corporations.

23 A. Uh-huh.

24 Q. Because I want to make sure the judge understands. So
25 Shanghai Speed is the company in China?

1 A. Uh-huh.

2 Q. And then you described the three other corporations?

3 A. Uh-huh.

4 Q. Correct?

5 A. Uh-huh.

6 Q. They were Sunwoo Management, Sunwoo Trade, and 506?

7 A. Correct.

8 Q. Okay. Which of the corporations held the liquor license?

9 A. Sunwoo Trade, Inc.

10 Q. Okay. Is a noncitizen allowed to hold a liquor license?

11 A. I think so.

12 Q. How about the SBA loan?

13 A. I don't think so.

14 Q. Did you have --

15 THE COURT: Hold on. Hold on. I don't have the
16 realtime. It's okay. It's fine, but off the record.

17 (Discussion off the record)

18 THE COURT: Let's go back on.

19 Mr. Stone, can you ask the question about the liquor
20 license once more?

21 Q. In your understanding, is a non-U.S. citizen permitted to
22 hold an interest in a liquor license?

23 A. Only U.S. citizen can hold a U.S. liquor license.

24 Q. Now, number two, I want to go back to the loan that you
25 borrowed. In addition to the security in the property, was it

1 necessary to also secure all of the personal property to secure
2 the loan?

3 A. Let me clear.

4 Q. You know what a UCC is, a UCC filing? Do you know what
5 that is?

6 A. Yes.

7 Q. Did the bank take a security interest at all in the --
8 excuse me -- we call it FF&E, the furniture, fixtures and
9 equipment?

10 A. Yes.

11 Q. Okay. In addition to that, did the bank require any one of
12 you to sign a personal guarantee?

13 A. Yes.

14 Q. Who had to sign the personal guarantee?

15 A. Me.

16 Q. Okay. So that if this loan went bad, in addition to the
17 security, do you feel as though you would be responsible for
18 whatever deficiency there might be on the loan?

19 A. Yes. That's what I want to say. If there is -- yes.

20 Q. Okay. In your understanding, is a non-U.S. citizen
21 permitted to guarantee a federally-guaranteed loan like an SBA
22 loan?

23 A. That's do that once.

24 Q. Okay.

25 THE COURT: Hold on. Go ahead. Answer that.

1 THE WITNESS: U.S. citizen, yes. You can apply the
2 SBA loan. Permanent resident, you can apply, but I don't know
3 that they are going to approve or not. If not U.S. citizen or
4 resident, no.

5 Q. Okay. So let's talk about Mr. Bao's immigration status.

6 Do you know what his status is today?

7 MR. SCHMIDT: Objection, Your Honor. Relevance.

8 THE COURT: Overruled. If you know. If you don't
9 know, just say you don't know.

10 THE WITNESS: I know.

11 Q. You know?

12 A. Yes.

13 Q. Tell us.

14 A. It's a particular name called "refugee protection." Just
15 that means you back to your mother country, you get in trouble.
16 That's the U.S. protect them stay here, the visa on them. I
17 don't know.

18 Q. Were you familiar with the fact that Mr. Bao was processing
19 an application for a visa?

20 THE COURT: At what time?

21 Q. In or around 2016, when he came to the States, did he bring
22 to your attention that he was going to apply for a visa?

23 A. Yes.

24 Q. And did you assist him in either communicating with a
25 professional to handle the application?

1 A. Yes.

2 Q. And was that -- was that an attorney?

3 A. Yes.

4 Q. And were you going to charge Mr. Bao any money for
5 assisting him with that application?

6 A. No.

7 Q. When you sent him -- strike that.

8 When you provided him with the name of an attorney, did you
9 cooperate with him in supplying documents to the immigration
10 attorney?

11 A. Honest is 80 percent document he provided to me or send it
12 direct to the lawyer. The lawyer is Chinese. He can speak
13 Chinese, so he replies in the email. So on most of the time I
14 just tell them -- tell them I bought a restaurant, yes. That's
15 all. They connected doing that -- doing that.

16 Q. Now, let's get back to the terms of the agreement because
17 that's very, very important. So share with us each level of
18 what you perceive was the financial agreement between you and
19 Mr. Bao in this project, and do it one at a time so that it's
20 clear to Judge Krause.

21 A. Let's clarify. It's the Shuzhong Bao -- I always say
22 Shuzhong Bao. That's the representative for Shanghai Speed. I
23 represented -- I talk with him -- that means I talk to
24 represent -- I talk to Shanghai Speed because after me, his
25 father-in-law is majority owner, a majority shareholder and

1 general manager there. So means we talk to Shuzhong Bao,
2 officer to Shuzhong Bao, that's officer to Shanghai Speed.
3 That's clear?

4 Q. Yes. I think you could be clearer. What percentage of the
5 deal were you going to get, and what was he going to get?

6 THE COURT: Well, hold on, Mr. Stone. I think that's
7 what I think is not clear. You keep referring in your
8 questioning of Mr. Stone to the percentage that Mr. Wang was
9 going to get versus the percentage that Mr. Bao was going to
10 get. Mr. Wang's answer doesn't really ever seem to accept that
11 Mr. Bao, as an individual, was going to get anything. He keeps
12 referring back to Mr. Bao as a representative of Shanghai Speed.

13 So I would like the question to be a little bit more
14 precise because if there is a distinction, which the witness
15 seems to be making, between the percentage that the company,
16 Shanghai Speed, should have had versus the percentage that
17 Mr. Bao as an individual should have had, I would like to hear
18 the witness's testimony about that.

19 Q. The judge is asking you to further explain. I am going to
20 ask you the same thing. Can you explain the relationship
21 between you, Shanghai Speed, and Mr. Bao?

22 A. Me with Shanghai Speed, I am majority, 51 percent majority
23 shareholder.

24 Q. Okay.

25 A. Yeah. And Shuzhong Bao represented Shanghai Speed. With

1 the Piermont deal, Shanghai Speed even he put about like on the
2 deal the 400-some thousand. I responded along with still the
3 ownership of 50/50.

4 THE COURT: Okay. Now, when you say it's 50/50,
5 50 percent you?

6 THE WITNESS: Fifty percent.

7 THE COURT: And then 50 percent who else?

8 THE WITNESS: Shanghai Speed.

9 THE COURT: Okay. So your position is that the
10 ownership of the Piermont deal, the property and the
11 restaurants, is 50 percent yourself as an individual, and then
12 50 percent Shanghai Speed?

13 THE WITNESS: Correct.

14 THE COURT: Okay.

15 Q. And then the 50 percent that Shanghai Speed was going to
16 get, what percent -- what portion of that would go to the
17 benefit of Mr. Bao?

18 A. I have to ask. In the Shanghai Speed he owned 20 percent.
19 I don't know how to count that.

20 Q. So the transaction between you and Shanghai Speed was
21 different than the terms between you and Mr. Bao, correct?

22 THE COURT: I am going to object to that question
23 myself, Mr. Stone. I mean, as this witness is testifying, at
24 least as I understand it, there was no term of agreement between
25 Mr. Wang and Mr. Bao as an individual. His testimony seems to

1 be that the only agreement was between himself and Shanghai
2 Speed, the corporation, for which Mr. Bao was serving as a
3 representative because he was an employee, the deputy general
4 manager of Shanghai Speed.

5 But the testimony seems to be there was no independent
6 arrangement between Mr. Wang and Mr. Bao; is that correct?

7 MR. STONE: Correct.

8 THE COURT: So it's a little confusing in the
9 questioning when there are references to an agreement between
10 Mr. Wang and Mr. Bao because the only agreement with Mr. Bao was
11 in Mr. Bao -- according to Mr. Wang -- was in Mr. Bao's capacity
12 as a representative of Shanghai Speed.

13 So the only -- the only -- again, from Mr. Wang's
14 perspective, the only flow of funds that would go to Mr. Bao
15 would be whatever he would be entitled to as a shareholder of
16 Shanghai Speed; the same as Mr. Wang would be entitled to a
17 certain flow of funds as a shareholder of Shanghai Speed.

18 MR. STONE: That's what he testified to.

19 THE COURT: Okay. But then we have to stop asking
20 questions about a deal between him and Mr. Bao because it's
21 confusing. All right. Next question.

22 MR. STONE: All right.

23 Q. Now, before this litigation started, were there
24 conversations between you and Mr. Bao before the litigation
25 started about what he was asking you to do with regard to

1 everything, the money that you received? Do you understand that
2 question?

3 A. I can --

4 Q. Let me rephrase it, then. Bear with me a second, Judge.

5 All right. Do you know when the complaint in this case,
6 the date that it was filed?

7 A. I think September 2019. I don't know exactly.

8 Q. Let me show it to you.

9 THE COURT: I think we can take judicial notice of the
10 fact that it was filed in late August, early September of 2019.

11 MR. STONE: It was filed actually on August 28th,
12 Judge. Okay.

13 THE COURT: Fine. August 28, 2019. You were very
14 close. Just off by three days, four days.

15 Q. Prior to that date, before the lawsuit was filed, did you
16 receive a communication by that WhatsApp from Mr. Bao?

17 THE COURT: WeChat.

18 MR. STONE: What's it called?

19 THE COURT: WeChat.

20 MR. STONE: WeChat. Okay. Forgive my ignorance.

21 THE COURT: That's okay.

22 Q. Did you receive a communication through WeChat from Mr. Bao
23 attempting to --

24 MR. SCHMIDT: Objection. Leading.

25 MR. STONE: Okay.

1 THE COURT: Sustained.

2 Q. Did you receive any communication prior to the filing of
3 the complaint from Mr. Bao?

4 A. I can't remember.

5 Q. Did you -- can I show you something to refresh your memory?

6 THE COURT: You can show him a document that's in
7 evidence. I think we are talking about documents that are in
8 evidence. You can just show it to him.

9 MR. STONE: This is in.

10 THE COURT: Exhibit?

11 MR. STONE: Exhibit N.

12 THE WITNESS: Okay.

13 THE COURT: Hold on. You can go back.

14 Mr. Stone has shown or is showing the witness a
15 document that has previously been admitted in evidence as
16 Plaintiffs' Exhibit N. It's a three-page document.

17 THE WITNESS: Okay.

18 THE COURT: Four pages with the translation at the
19 end. Do you have four pages, Mr. Wang?

20 THE WITNESS: I have more than that. One, two,
21 three -- yeah. I believe it is like a four page.

22 THE COURT: You have a whole lot of stuff there. Hold
23 on. Can I see?

24 THE WITNESS: (Indicating)

25 THE COURT: Off the record.

1 (Discussion off the record)

2 THE COURT: Mr. Stone, there is a whole lot of stuff
3 here, some of which is not part of Exhibit N.

4 MR. STONE: I think I pulled that out of my binder. I
5 actually only need page 1, Judge.

6 THE COURT: Okay. I can't reliably say which of these
7 documents in Chinese are part of this. That's Exhibit N. The
8 witness now has in front of him what's been marked as
9 Plaintiffs' Exhibit N.

10 The rest of this stuff you can take back at another
11 time, Mr. Stone.

12 Q. Okay. So let's start first, Mr. Wang, what is the date of
13 that document?

14 A. July 27, 2019.

15 Q. Okay. Did you -- when you received that document, did you
16 review the chart that was submitted by Mr. Bao?

17 A. Yes.

18 Q. And can you explain to the judge what he was -- what he
19 laid out for you and what your response was to receiving that
20 document?

21 A. Okay. The document --

22 THE COURT: Let me just ask you a preliminary
23 question. There is testimony yesterday, and maybe on Monday as
24 well, that this document was transmitted by Mr. Bao to his
25 sister. Did you, yourself, Mr. Wang, ever receive this from

1 your wife?

2 THE WITNESS: Yeah, my wife show me.

3 THE COURT: Okay. Very good. Then proceed.

4 MR. STONE: Okay. So --

5 THE COURT: So Mr. Stone asked you to describe what
6 your response was to this document after you received it.

7 Q. Did you respond to your brother-in-law about that document?

8 A. No.

9 Q. And did you ever agree to sign that document?

10 A. No.

11 Q. And can you tell the Court why -- strike that.

12 Do you agree with the manner in which the division of
13 contributions were to that document?

14 A. Yes, I can. You know, the only the true things he is
15 listed Shanghai Speed is \$600,000 invest the restaurant. That's
16 true.

17 THE COURT: Okay.

18 THE WITNESS: Yes. And but as I not sign, this loan
19 amount not 1.2.

20 THE COURT: Can I ask you a question? Are you looking
21 at the chart?

22 THE WITNESS: Yes.

23 THE COURT: In the column on the left side of the
24 chart where it says "shareholder," the far left?

25 THE WITNESS: Yes.

1 THE COURT: First one, first line is you, Mr. Wang and
2 your wife, Ms. Bao, right?

3 THE WITNESS: Yes.

4 THE COURT: Okay. The next line it says Mr. Bao, the
5 plaintiff and his wife, Ms. Zeng.

6 THE WITNESS: Uh-huh.

7 THE COURT: Right?

8 THE WITNESS: Yes.

9 THE COURT: It doesn't say Shanghai Speed anywhere on
10 there.

11 THE WITNESS: Yeah, but I was only think about that;
12 that he is the founder of Shanghai Speed because he was my
13 founding majority owner after me.

14 THE COURT: Okay.

15 THE WITNESS: Okay. Let's say -- that's Shuzhong Bao.
16 Let's put all his money in the form. Let's say he say, on the
17 July 27, \$600,000, right? On the September -- August 28, he put
18 him in a law court -- lawsuit he come now 175,000. That's only
19 take a couple of days later. I don't know where the money come
20 from.

21 THE COURT: Okay. But that's a whole separate set of
22 issues perhaps, but here -- here the question is: Why didn't
23 you want to sign this document when it was 600,000? That was
24 what Mr. Stone asked you, and I think you were about to answer
25 that.

1 Q. Okay. So why wouldn't you sign -- just like the judge
2 asked -- why didn't you sign the document that Mr. Bao sent to
3 your sister without sending it to you?

4 A. I say two reasons. One reasons is didn't say Shanghai
5 Speed. If I get an authorization tell me it representative I am
6 signing, and also loan amount not right.

7 THE COURT: When you said the loan amount is not
8 right, what do you think the loan amount should have been?

9 THE WITNESS: Loan amount is outside of 1.36. That's
10 on the closing document.

11 THE COURT: Okay.

12 THE WITNESS: Yeah.

13 Q. And that loan document, which you just explained to Judge
14 Krause, was personally guaranteed by you and secured by the
15 investment?

16 A. Yes.

17 Q. Okay. Now, but before you got the lawsuit --

18 A. Uh-huh.

19 Q. -- did you have any other conversations with Mr. Bao like
20 trying to resolve this matter?

21 A. I pretty much we -- yes, we do.

22 MR. STONE: Well, let's talk about the phone call
23 of -- and this is I am referring to Defendant's Exhibit, Judge,
24 as you know, FF, FF. That's the --

25 THE COURT: Also known as the Plaintiffs' Exhibit T.

1 You are talking about the phone call of September 11th, 2019?

2 MR. STONE: Yep.

3 THE COURT: Well, that was after the lawsuit was
4 filed.

5 MR. STONE: Okay.

6 THE COURT: But yes, I have Plaintiffs' Exhibit T in
7 front of me.

8 MR. STONE: Okay. Before we get to that, I would like
9 to approach, Your Honor, and show him Defendant's Exhibit JJ.
10 That's the borrower agreement \$270,000.

11 THE COURT: That's in evidence also as Plaintiffs'
12 Exhibit L.

13 MR. STONE: Do you have it, Your Honor?

14 THE COURT: Yes.

15 Q. Okay. Do you recognize that document, Mr. Wang?

16 A. I can't remember.

17 Q. Is this the document that Mr. Bao provided to you asking
18 that you sign it and in regard to making --

19 MR. SCHMIDT: Objection.

20 MR. STONE: -- a 250 --

21 MR. SCHMIDT: Objection.

22 THE COURT: Sustained.

23 MR. STONE: I will rephrase it.

24 Q. Take a look at that and tell me whether or not you have
25 seen this document before.

1 A. 2017? Maybe.

2 Q. I didn't hear what you said.

3 THE COURT: He said "Maybe."

4 Mr. Wang, do you recall that at some -- at some point
5 in 2018, I know the dates -- forget about the dates that are
6 written on here. Do you recall sometime in 2018 receiving two
7 different documents from Mr. Bao that were described as
8 "borrowing agreements" where Mr. Bao asked you to sign the
9 agreements essentially committing to repay certain money to him?

10 Do you recall receiving two agreements or draft
11 agreements like that?

12 THE WITNESS: That's that one?

13 THE COURT: This is one of them.

14 THE WITNESS: Yeah. Where the other one?

15 THE COURT: And the other one, the other part of
16 Plaintiffs' Exhibit L.

17 MR. STONE: That is JJ2.

18 THE COURT: Which was in the amount of \$600,000.

19 THE WITNESS: Yes.

20 THE COURT: You recall receiving those from Mr. Bao?

21 THE WITNESS: Yes. Yes.

22 THE COURT: Okay.

23 Q. Did you ever sign the document?

24 A. No.

25 Q. Can you explain to the judge why? Let's talk about the

1 \$270,000. Did you ever ask Mr. Bao to put into the business an
2 additional \$270,000?

3 A. No.

4 Q. Did you even know that he was putting the money in?

5 A. No.

6 Q. Did you know whether or not he wrote checks drawing that
7 money out?

8 A. No.

9 Q. Did you ever receive any of the \$270,000?

10 A. I, no.

11 Q. Was the \$270,000 ever part of this deal from Shanghai
12 Speed?

13 A. I don't know.

14 Q. Do you know the source of the \$270,000?

15 A. I don't know.

16 Q. Do you know where the \$270,000 went once it got into the
17 account, what was removed from the account?

18 A. I don't know, but I didn't take any.

19 Q. You didn't get any of this money?

20 A. No.

21 THE COURT: Hold on. Hold on. Hold on.

22 There's been evidence introduced that the money was
23 moved into the Sunwoo Trade corporation account. Your question
24 just now had something to do with money being removed from that
25 account. Is there any evidence in the record about the money

1 being removed from that account?

2 MR. STONE: Not by me.

3 THE COURT: I know. So the last question where you
4 included in the question something about the money being removed
5 from the account lacks foundation. There is no evidence in the
6 record that the money was removed from the account. Maybe it
7 was or maybe it wasn't, but I don't have any evidence of that
8 one way or the other.

9 MR. STONE: Yeah, but he is testifying -- he just
10 testified he never got any of that money.

11 THE COURT: I heard that testimony. But the question
12 itself assumed facts that are not in evidence. There could have
13 and should have been an objection to that question, but again,
14 since I am trying to keep the record straight, I -- we can --

15 Mr. Wang, were you aware at any point that Mr. Bao
16 transferred money, approximately \$267,000, into bank accounts
17 that were in the name of Sunwoo Trade, Incorporated?

18 THE WITNESS: Because there is the money tracing for
19 kind of period, I can't say I know exact amount, but I know has
20 some money into it. I don't sign the paper because the money go
21 to Sunwoo Trade, Inc. I don't take out. I don't know he take
22 out or not. If not, the money is going toward expenses for the
23 restaurant. If the money spent expensing the restaurant, why I
24 have to pay for? That's the reason I don't sign it.

25 THE COURT: And your testimony is that you never asked

1 Mr. Bao to put additional money from his account into the Sunwoo
2 Trade, Incorporated account?

3 THE WITNESS: I never asked him.

4 THE COURT: Do you know why he -- there are bank
5 records that are in evidence in this case that seem to indicate
6 that a substantial amount of money was transferred from
7 Mr. Bao's account or an account -- bank account that was in his
8 name personally to the account of Sunwoo Trade, Incorporated.

9 Do you have any idea why that money was transferred
10 there?

11 THE WITNESS: I don't want to take a guess.

12 THE COURT: Don't guess. If you don't know, you don't
13 know.

14 THE WITNESS: I don't know why the money go to the
15 restaurant.

16 THE COURT: All right. We are going to take a
17 five-minute break.

18 (Recess)

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